

**COLCHESTER BOROUGH COUNCIL
CABINET
31 JANUARY 2018**

SUPPLEMENTARY AGENDA

Part A

(open to the public including the media)

7(i) Strategic Plan 2018-2021

See draft minute 149 from the meeting of the Scrutiny Panel on 30 January 2018

9 2018-19 Revenue Budget, Capital Programme and Medium Term Financial Forecast, Housing Revenue Account and Housing Investment Programme

See draft minutes 147 and 148 from the meeting of the Scrutiny Panel on 30 January 2018.

DRAFT MINUTE EXTRACT SCRUTINY PANEL 30 JANUARY 2018

149. Draft Strategic Plan 2018-21

Councillor Smith (by reason of being a customer of Colchester's Big Community Switch) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).

Councillor Paul Smith, Leader of the Council and Portfolio Holder for Strategy and Matthew Sterling, Assistant Director Policy and Corporate, introduced the draft strategic plan 2018-21. The Scrutiny Panel is asked to review and comment on the proposals contained in the Cabinet report and to make any recommendations to Cabinet.

Matthew Sterling, informed the Panel that the current strategic plan runs until 2018 and needs to be refreshed in light of changing circumstances and expectations. Matthew Sterling explained the process behind the creation of the new strategic plan 2018-22, which included a series of workshops with staff and Cabinet members to gather ideas for priorities and public consultations to assess the priorities identified.

Matthew Sterling informed the Panel that an independent company was used to arrange the public consultation ensuring that the sample of people used was demographically representative of the whole Borough. The consultation included both an electronic survey and focus groups, which provided feedback on the priorities identified in workshops. The consultation also requested further suggestions on the strategic direction of the Council.

Matthew Sterling stated that the Strategic Plan 2018-21 contains 20 priorities grouped into four themes. This was a deliberate choice and a different approach to strategic plans created by other local authorities. In terms of the content, Matthew Sterling stated that the Strategic Plan is a high level document outlining the priorities and aims for the Council. If the plan is approved at both Cabinet and Full Council, a strategic plan action plan will follow, which will provide further detail.

The Panel welcomed the Strategic Plan and the aims contained within it. A member of the Panel questioned whether the figures provided in the plan for new homes and affordable homes built included the whole period between 2015/16 and 2017/18, as the figures did not seem to include 2017/18. Matthew Sterling confirmed that he would check the figures and update the report if necessary.

A Panel member suggested that in the spirit of partnership working, the reference to the Northern Approach Road within the strategic plan should mention Essex County Council (ECC) as they delivered and funded the project. In response Councillor Smith highlighted the successful joint working between CBC and ECC and welcomed the suggestion to include a reference to ECC for the Northern Approach Road. Councillor Smith also highlighted the CBC development of the Colchester Stadium A12 junction which has ensured that employment land in that area has become successful.

Some Panel members also felt that the references to the rural areas of the Borough needed to be increased. It was suggested that under opportunity, the priority to promote Colchester's heritage be reworded to reflect Colchester Borough's heritage. Councillor Smith agreed with

the inclusion of the wording into the Strategic Plan. Following this a further suggestion was made by Panel members suggesting that the Council's beaches, walks and coasts be included under the last wellbeing priority, and that Dedham Vale, the only Area of Outstanding Natural Beauty in Essex be referenced.

In response to some of the points raised regarding rural areas being referenced in the Strategic Plan, Matthew Sterling highlighted that many of the priorities included refer to both rural and urban areas within the Borough. Councillor Smith also highlighted a recent Colchester Ambassadors event in London, which brought local politicians and business together to highlight Colchester and the potential of the Borough. Councillor Smith noted that the literature produced for the event included many locations outside the town centre, including the Zoo and Tiptree Tea Rooms. Panel members requested that copies of the literature created be circulated to all Councillors.

A clarification was also suggested for the official name of the Recreation Ground in Old Heath.

Responding to a question about the feedback received from members of the public in focus groups, Matthew Sterling confirmed that many of the comments were overwhelmingly positive, with some relating to the new recycling arrangements, however as expected there were some negative comments received.

Other comments from Panel members included an acknowledgement that the Strategic Plan needed to contain high level details to ensure that it is accessible for members of the public. Another Panel member also welcomed the inclusion of wellbeing within the Strategic Plan, supporting residents to have a healthy lifestyle and improving mental health in Colchester. A further comment welcomed the approach to Anti-Social behaviour and the inclusion of cycling to assist with congestion.

Panel members thanked Matthew Sterling for the report, and as this was likely to be his last Scrutiny Panel meeting, wished him the best of luck.

RESOLVED that the Panel reviewed and commented on the proposals contained in the Cabinet report.

DRAFT MINUTE EXTRACT SCRUTINY PANEL 30 JANUARY 2018

147. 2018-19 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast, Housing Revenue Account and Housing Investment Programme.

Councillor Davies (by reason being a Board member of Colchester Commercial Holdings Limited) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).

Councillor Fox (by reason being a Board member of Colchester Commercial Holdings Limited) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).

Councillor Mark Cory, Portfolio Holder for Resources, Sean Plummer, Strategic Finance Manager and Darren Brown, Finance Manager, introduced the 2018-19 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast report. The report invites the Panel to review and comment on the report, as well as to review the Housing Revenue Account and Housing Investment Programme.

Councillor Cory provided the Panel with a brief summary of the report and highlighted that the budget should be viewed in the context of further decreasing government grants which therefore requires the Council to be more self-sustaining through bringing in more income. Councillor Cory stated that the combined reduction in the Revenue Support Grant and New Homes Bonus amounted to a cut of £2m.

The report includes a proposal for savings of £2.8m, which includes a reduction in funds for one off investment arising from the cut to the New Homes Bonus. Details of the savings and efficiencies are included in Appendix D.

Councillor Cory highlighted the proposals to invest £2.9m in acquiring properties for use as temporary accommodation. The funding for this would come from one-off budgets, some borrowing and use of right to buy receipts. Councillor Cory also confirmed that the Councillors Locality budgets would be protected for next year, and the agreed Local Council Tax Scheme would continue. It was also highlighted that, in terms one off projects, £750,000 of New Homes Bonus is being used on the Northern Gateway Sports Complex.

Sean Plummer, provided further detail on the General Fund Budget, and informed the Panel that there are a number of cost pressures during the year. This includes general inflation, salaries and other areas set out in Appendix C.

Sean Plummer, also provided details of the savings included in the report, some of which have been reported during the financial year, including the Customer Futures 2 review. Sean Plummer also highlighted that the level of New Homes Bonus to support the base budget has been reducing each year and now stands at £1.2m. It is proposed that going forward, over the life of the Medium Term Financial Forecast, the level of New Homes Bonus supporting the base budget would be reduced by £400,000 each year.

Within the Medium Term Financial Forecast, it is assumed, taking into account Government reductions and assumptions, that the cumulative gap over the period between 2019/20 and 2021/22 is £2.6m. This gap takes into account the some agreed ongoing savings and income targets and highlights the continual funding pressures that might be faced.

Sean Plummer also added that as part of the budget setting process the level of reserves and balances had been reviewed, as had income targets across the Council with some being reduced. With regard to Council Tax an increase of 2.75% is proposed, which falls below the Government threshold for a referendum. Sean Plummer highlighted that the Government assumes that councils will increase Council Tax to the threshold level when looking at "spending power".

A member of the Panel questioned the basis of the rent paid by Colchester United for the Colchester Community Stadium, as a decrease is anticipated for the next financial year. Councillor Cory confirmed that whilst the Council would like to be receiving more rent from the stadium, this reduction reflects the end of a ten-year fixed rent arrangement which started when the stadium was built. During the coming year the rent would be based on income from ticket sales. Sean Plummer highlighted that the budget reduction was an estimate and that the 18/19 budget was based on the part year impact of this change and the full year impact was shown in the MTFF.

In response to a question regarding the one-off payment to the pension fund contribution, Sean Plummer confirmed that a three-year contribution was made during the 2017/18 financial year. This payment related to the deficit on the pension fund which was due for the three-year period. Sean Plummer stated that this offered a cheaper alternative to contributing each financial year. The contribution to the Pension Fund was in part paid for from reserves, with payments back into the reserves for the next two financial years. Sean Plummer highlighted that it was likely that this approach would continue in future budgets.

Clarification was requested by a member of the Panel relating to the £30,000 cost for Local Plan examination. Councillor Cory confirmed to the Panel that the £30,000 cost included for an examination of the local plan related to the second part of the examination, which is expected during the next financial year, rather than the current examination that is in progress.

In response to a question regarding the risks associated with income levels, Councillor Cory stated that this is in part due to a more commercial approach from the Council with the risks linked to those more commercially sensitive areas that are liable to fluctuate. Councillor Cory provided the example of parking income, which, whilst now gradually increasing, had in previous years fluctuated. Councillor Cory also provided an example of planning income which was below the current year's budget target. Sean Plummer confirmed that some areas of the budget can be more volatile and it is therefore necessary to recognise that there could be a risk associated with it. In some areas, income is below budget and therefore a reasonable and prudent view has been taken to reduce the income targets.

A member of the Panel questioned whether there was further potential for increases in income or areas where savings could be made given the anticipated budget gap and the savings already achieved by the Council. Councillor Cory stated that there is a balance to be maintained when identifying savings or developing additional income. In terms of income the Council has the existing development on Sheepen Road, and will be creating another facility on this location. With regard to helpline, this is providing a good service and has the potential to increase the level of income achieved. Other services, such as ultrafast broadband have won European awards, but have failed to achieve the income target required. In terms of savings the focus is on improving the digital infrastructure in order to deliver efficiencies, such as those in back office functions.

In terms of the New Homes Bonus, following a question from a Panel member, Councillor Cory confirmed that the Council's approach to slowly remove the funding from the base budget, given the reductions to the grant we received, was the best way forward. The Council has

made reasonable forecasts of the level of the grant and has therefore been able to incorporate it within the base budget, and also use it for one-off projects.

A further query was asked regarding whether the business rates reserve and appeals funds were still required. Councillor Cory confirmed that the fund ensures that the Council is covered as appeals can occur at any point. Councillor Cory also provided confirmation that the amount put aside is reviewed regularly to assess whether it could be reduced and used within the budget. Sean Plummer stated that the provision is made to reflect the potential cost of backdated appeals. Appeals can be lodged with the valuation office and in previous years a significant amount has been paid out. Further information on these appeals could be provided to the Panel if required. With regard to the business rates reserve this relates to any appeals that occur in year, but also reflects the need to smooth out any issues arising from the accounting arrangements of business rates between financial years. Sean Plummer informed Panel members that business rates are not a predictable source of income for the Council. Other public sector organisations have raised concerns about the unpredictability of the scheme and accounting arrangements.

Councillor Cory and Sean Plummer, also provided confirmation the lift at the Lion Walk Activity centre was replaced during 2013 and the balance remaining was spent replacing windows at the centre which was completed in December 2017. Confirmation was also received that the £17,900 for an industrial vacuum cleaner related to the street cleaner used in the Borough.

Housing Revenue Account

Darren Brown, Finance Manager, introduced the Housing Revenue Account (HRA) report, which will be submitted to Cabinet on 31 January 2017. Darren Brown explained that the report sets out the annual Housing Revenue Account revenue estimates and is linked to the Housing Investment Report. Darren Brown confirmed that the HRA is ring fenced and relates to the Council acting as landlord for the housing stock. The report also sets out the proposals for the five year medium term financial forecast and the thirty year business plan.

Darren Brown highlighted that 2018/19 is the third year of the government rent reduction policy, which reduces rent by 1% per year. The report also provides further details about the Housing Future Programme which looks to mitigate the impact of the Housing and Planning Act and rent reduction, and the proposed Colchester Borough Homes Management Fee for 2018/19.

Darren Brown confirmed that the Government rent reduction was due to end in 2019/20, with a return to the previous methodology from 2020/21. This would mean that rents will increase in line with the consumer price index plus 1% from the 2020/21 financial year. In addition, Darren Brown stated that a small provision has been set aside within the HRA for the high value voids levy if the Government decide that this has to be paid.

With the Government changes it is now anticipated that the debt cap will be reached three years later than previously anticipated. This means in nine years' time there will be a shortfall of resources going forward, which will require further work.

A member of the Panel commented on the impact of the government rent reduction on the HRA. Councillor Cory confirmed that the government reduction of 1% in housing rent had impacted heavily on the Housing Revenue Account. Going back to the previous formulae for setting rents was a welcomed move that will provide more opportunity for investment in housing.

Housing Investment Plan

Darren Brown, provided the Panel with a summary of the Housing Investment Plan. The report sets out the capital plan, which will be funded first by those resources specifically designated to the programme followed by capital receipts. Due to the work of the Housing Futures group, there is no requirement to undertake additional borrowing.

Councillor Cory highlighted that this budget had been prudently managed over the last four to five years. This plan also provides the opportunity to buy back houses under the right to buy scheme, as well as investing to buy, which the Cabinet is keen to do.

In response to a question regarding investment in sheltered accommodation. Darren Brown confirmed that there had been plans for four refurbishments of sheltered accommodation. Two significant refurbishments, at Worsnop House and Enoch House, have been completed, however two smaller refurbishments have had to be postponed due to the impact of the Housing and Planning Act and the 1% rent reduction.

RESOLVED that the Panel reviewed and commented on the 2018/19 General Fund Revenue Budget, Capital Programme, Medium Term Financial Forecast, Housing Revenue Account and Housing Investment Programme reports.

DRAFT MINUTE EXTRACT

SCRUTINY PANEL

30 JANUARY 2018

148. Treasury Management Strategy Statement

Councillor Cory, Portfolio Holder for Resources, and Steve Heath, Finance Manager, introduced the Treasury Management Strategy Statement report. The report requests that the Panel review the 2018/19 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy prior to it being considered by Cabinet and Full Council.

Steve Heath, provided a summary of the Treasury Management Strategy Statement report, which provides information on the management of the Council's cash flow and borrowing and investment activity. The strategy for 2018/19 reflects the latest capital expenditure forecasts and the overall approach to treasury management. The strategy is similar to that of the current year, but includes details of additional forecasts on the Councils borrowing activity and other updates.

Steve Heath provided information on the main changes in the report. This includes the revised interest rate forecast. It is expected that the bank rate, which increased to 0.5% in November 2017, would remain at this level until the end of 2018. The rate is then expected to rise gently over the next two to three years, peaking at 1.25%.

The borrowing strategy, which had previously been internal borrowing only, now includes external borrowing due to the low rates. The Council will now balance the different approaches to create longer term savings. All prudential indicators take into account the requirement for new borrowing.

The Investment Strategy has a suggested return of 0.6% on investments placed for periods of up to 100 days for the next financial year, which is higher than the current year returns. In addition, the monetary limits for banks and building societies has each been increased by £2.5m to take into account possible fluctuations in the Councils cash flow arising from the new borrowing requirements.

Steve Heath confirmed that any significant events during the year in relation to the treasury management strategy would be reported to the Panel at the next opportunity.

A member of the Panel questioned why there was only one payment for tackling homelessness over the next three years. Councillor Cory confirmed that this borrowing was part of the £2.9m investment into 16 new dwellings in the Borough for those who are homeless. Part of the funding for the scheme is £916,000 of new borrowing and it is therefore listed in the Treasury Management Report, further information on this investment is included in the General Fund report. This plan creates new housing for those who are homeless, but the investment creates an additional asset for the Council.

RESOLVED that the Panel reviewed the 2018/19 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.